



# House of Representatives

## File No. 754

General Assembly

January Session, 2013

**(Reprint of File No. 290)**

Substitute House Bill No. 6380  
As Amended by House Amendment  
Schedule "A"

Approved by the Legislative Commissioner  
May 6, 2013

### **AN ACT CONCERNING PROPERTY AND CASUALTY INSURANCE POLICIES AND PUBLIC ADJUSTER CONTRACTS.**

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1       Section 1. (NEW) (*Effective October 1, 2013*) (a) When a covered loss  
2       for real property requires the replacement of an item or items and the  
3       replacement item or items do not match adjacent items in quality, color  
4       or size, the insurer shall replace all such items with material of like  
5       kind and quality so as to conform to a reasonably uniform appearance.  
6       This provision shall apply to interior and exterior covered losses.

7       (b) Nothing in this subsection shall be construed to impose liability  
8       on an insurer as a warrantor of any work performed pursuant to this  
9       subsection.

10       (c) Nothing in this subsection shall be construed to authorize or  
11       preclude enforcement of policy provisions relating to settlement  
12       disputes.

13       Sec. 2. (NEW) (*Effective October 1, 2013*) (a) The declination,

14 cancellation or nonrenewal of a homeowners insurance policy is  
15 prohibited if the declination, cancellation or nonrenewal is based solely  
16 on a loss incurred as a result of a catastrophic event as declared by a  
17 nationally recognized catastrophe loss index provider. For the  
18 purposes of this section, an insurer shall not be deemed to have  
19 declined, cancelled or nonrenewed a policy if coverage is available  
20 through an affiliated insurer.

21 (b) The declination or nonrenewal of a homeowners insurance  
22 policy, the addition of a surcharge or any increase in the premium of  
23 such policy is prohibited if the declination, nonrenewal, surcharge or  
24 increase is based solely on any claim filed on the covered property  
25 while such property was owned by anyone other than the current  
26 applicant or insured, unless the risk from which such claim originated  
27 has not been mitigated.

28 (c) The cancellation or nonrenewal of a homeowners insurance  
29 policy or an increase in the premium of such policy is prohibited if the  
30 cancellation, nonrenewal or increase is based solely on inquiries made  
31 on such policy or a claim filed under such policy that resulted in a loss  
32 coverage payment by the insurer of less than five hundred dollars or in  
33 no loss coverage payment. Such prohibition shall not apply if the  
34 insured filed more than one claim resulting from a noncatastrophic  
35 event in the three policy years immediately preceding that resulted in  
36 any loss coverage payment by the insurer.

37 Sec. 3. Section 38a-724 of the general statutes is repealed and the  
38 following is substituted in lieu thereof (*Effective October 1, 2013*):

39 (a) The use of an employment contract between a public adjuster  
40 and the insured shall be mandatory. [Such]

41 (1) Any such contract signed on or after October 1, 2013, shall  
42 contain a provision, prominently displayed on the first page of such  
43 contract in not less than twelve-point boldface type, specifying that the  
44 insured may cancel the contract, provided such insured notifies the  
45 public adjuster at such public adjuster's main office or branch office at

46 the address shown in the contract, by certified mail, return receipt  
47 requested, posted not later than midnight of the [second] fourth  
48 calendar day after the day on which the insured signs the contract,  
49 except that if the signing is on a Friday, Saturday or Sunday, the  
50 cancellation shall be posted not later than midnight of the [Tuesday]  
51 Thursday immediately following, and thereafter the contract shall be  
52 void ab initio.

53 (2) Any such contract signed on or after October 1, 2013, that does  
54 not display the provision as specified in subdivision (1) of this  
55 subsection shall be void ab initio.

56 (b) No public adjuster shall solicit an insured between the hours of  
57 eight o'clock p.m. and eight o'clock a.m.

58 Sec. 4. Subsection (d) of section 38a-788 of the general statutes is  
59 repealed and the following is substituted in lieu thereof (*Effective*  
60 *October 1, 2013*):

61 (d) The commissioner may adopt such regulations in accordance  
62 with the provisions of chapter 54, [as he deems necessary,] with  
63 respect to the form and manner of filing of application for license as a  
64 public adjuster and the issuance, suspension and revocation of such  
65 licenses and the conduct of hearings in connection therewith, the  
66 manner in which public adjusters shall conduct their business,  
67 including limitations on fees [which] that may be charged [,] and the  
68 form of the employment contract between a public adjuster and a  
69 client. The use of such contract shall be mandatory. Such contract shall  
70 contain [a] the provision [specifying that the client may cancel the  
71 contract, provided he notifies the public adjuster at his main office or  
72 branch office at the address shown in the contract, by certified mail,  
73 return receipt requested, posted not later than midnight of the second  
74 calendar day after the day on which the client signs the contract,  
75 except that if the signing is on a Friday, Saturday or Sunday, the  
76 cancellation shall be posted not later than midnight of the Tuesday  
77 immediately following, and thereafter the contract shall be void ab

78 initio] specified in subsection (a) of section 38a-724, as amended by this  
79 act.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>October 1, 2013</i>	New section
Sec. 2	<i>October 1, 2013</i>	New section
Sec. 3	<i>October 1, 2013</i>	38a-724
Sec. 4	<i>October 1, 2013</i>	38a-788(d)

The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.

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***OFA Fiscal Note***

***State Impact:*** None

***Municipal Impact:*** None

***Explanation***

This bill makes certain requirements for property and casualty insurance policies. As it concerns private insurance transactions, there is no fiscal impact.

House "A" made several clarifying changes to the underlying bill. There was no fiscal impact

***The Out Years***

***State Impact:*** None

***Municipal Impact:*** None

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**OLR Bill Analysis****sHB 6380 (as amended by House "A")\******AN ACT CONCERNING PROPERTY AND CASUALTY INSURANCE POLICIES.*****SUMMARY:**

This bill prohibits an insurer from declining, cancelling, or failing to renew a homeowners policy or increasing its cost under several circumstances.

It requires that insurance policies covering real property ensure that the surroundings of a damaged item that is replaced match the quality and kind of the replaced item.

By law, when an insured hires a public adjuster they must enter into an employment contract. For contracts signed on or after October 1, 2013, the bill increases, from three to five calendar days, the time the insured has to rescind the contract. Under current law, if the contract is signed on a Friday, Saturday, or Sunday, the insured has until midnight on the following Tuesday to cancel the contract; the bill extends this to midnight on Thursday. By law, the contract must have a provision specifying the insured's right to cancel. The bill requires that this provision be on the contract's first page in at least 12-point bold type .

\*House Amendment "A" (1) specifically requires that the replacement materials be of like quality and kind as the replaced materials, (2) eliminates a provision that exempts the insured from paying over any applicable deductible for the replacement, (3) makes a minor related change, and (4) adds the provisions on adjusters.

EFFECTIVE DATE: October 1, 2013

### **PROHIBITIONS REGARDING HOMEOWNERS POLICIES**

The bill prohibits an insurer from declining, cancelling, or failing to renew a homeowners insurance policy solely due to a loss incurred as a result of a catastrophic event, as declared by a nationally recognized catastrophic loss index provider. However, it may offer coverage through an affiliated insurer. The bill prohibits an insurer from declining or failing to renew a homeowners policy, adding a surcharge on a claim, or increasing the policy premium if this action is based on any claim filed on the covered property while anyone, other than the current applicant or insured, owned the property, unless the risk from which the claim originated has not been mitigated.

The bill prohibits an insurer from (1) cancelling or failing to renew a homeowners policy or (2) increasing its premium if this action is based solely on inquiries made on the policy or a claim filed under it that resulted in a payment by the insurer of less than \$500 or in no loss coverage payment. The prohibition does not apply if the insured filed more than one claim resulting from a non-catastrophic event in the three policy years immediately preceding that resulted in a loss coverage payment by the insurer.

### **MATCHING REPLACEMENT ITEMS**

Under the bill, when a loss covered under a policy for real property requires replacing a damaged item that will not match the quality, color, or size of adjacent items, the insurer must replace these items with materials of like kind and quality to provide a reasonably uniform appearance. This requirement applies to both interior and exterior covered losses. These provisions (1) do not impose liability on an insurer as a warrantor of any of the work or (2) authorize or preclude enforcement of policy provisions relating to settlement disputes.

### **COMMITTEE ACTION**

Insurance and Real Estate Committee

Joint Favorable Substitute

Yea    17        Nay    1        (03/14/2013)